



THE ROYAL BOROUGH OF  
**KINGSTON**  
UPON THAMES

# **Budget Report**

## **2020/21 to 2023/24**

Children's and Adults Care & Education Committee	30 January 2020
Community Engagement Committee	4 February 2020
Strategic Housing and Planning Committee	6 February 2020
Environment & Sustainable Transport Committee	11 February 2020
Finance and Partnerships Committee	13 February 2020
Budget Council	27 February 2020

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# Introduction

1. This report sets out the Budget for 2020/21 including the Capital Programme and Housing Revenue Account (HRA) and Schools Budget, and the Medium Term Financial Strategy (MTFS) to 2023/24 which continues to support the vision and ambitious outcomes for Kingston's communities, residents and businesses as set out in the refreshed Corporate Plan:

**To be a vibrant, diverse and inclusive Borough, where residents are empowered to remain independent and resilient.**

2. The Council's Liberal Democrat administration and officer Senior Leadership Team are focussed on delivering the following strategic outcomes which support the administration manifesto commitments:
  - **a well maintained borough with a sustainable approach to growth and development which benefits our communities**
  - **a safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy**
  - **healthy, independent and resilient residents with effective support to those who need it most**
3. As part of its Corporate Plan, Kingston Council has a clear vision about the type of Council it intends to be and how it will strive to put the needs of residents at the heart of what the Council does by being:

**A financially and environmentally sustainable, engaging and collaborative Council that works transparently in the best interests of Kingston's residents and businesses.**
4. In order to achieve this vision, the Council is proposing to set a budget and MTFS that will provide a foundation for the Council to achieve these key outcomes, change the culture of the organisation and ensure our scarce resources are focused on what matters most to our communities.

## Budget outcomes

5. This report provides the budget proposals and council tax setting for the 2020/21 financial year achieving the following key outcomes
  - Growth and investment in services to meet our key priorities and demand pressures of **£6.598m**
  - The identification of **£7.185m** of revenue savings.

- An average council tax at band D of **£1,613.08**, a 1.99% increase in the Council Tax set by Kingston Council and a 2% increase in the Adult Social Care precept.
  - An increased general fund reserve of **£19.633m** for 2020/21, an increase of £3.5m on this year's figure of £16.133m to ensure prudent cover for managed risks.
  - A Capital Programme to provide infrastructure investment in Kingston. The general fund capital programme over four years from 2020/21 will be **£135.7m**.
6. This Budget is designed to support the Council in meeting the significant challenges it faces in ensuring services for its residents and some of our most vulnerable communities are protected against a backdrop of increasing demand in terms of volume and complexity and decreasing resources available to fund those services.

## Financial Context

7. The Council is currently operating, like all local authorities, in financially uncertain times. The provisional local government finance settlement was delayed due to the general election and announced on 20 December 2019, the latest it has ever been announced. The delayed announcement of funding and council tax referendum thresholds makes longer term financial planning ever more challenging. The settlement has still not given any certainty beyond 2020/21 as the comprehensive spending review planned for 2019 was delayed and replaced with a one year spending round.
8. At the time of writing, the European Union Withdrawal Agreement is being passed through parliament and the United Kingdom looks set to leave the European Union on 31 January 2020. The longer term economic impacts of this remain uncertain but there remains a significant risk that a downturn in the economy will impact the Council, in particular through loss of business rates income or higher rates of inflation on the costs of goods and services that the Council purchases. We will continue to monitor the impact of national economic events on the Council's financial position.
9. At a local level, for Kingston, the structural overspend and shortfall of funding within the Dedicated Schools Grant (DSG) for children with special educational needs or disabilities gives rise to our most significant financial challenge. This challenge is not unique to Kingston, but the scale of the deficit combined with the low level of reserves held locally requires the Council to be tackling it with a greater degree of rigour and speed than many others. The cumulative deficit on Kingston's DSG reserve is estimated to be over £20million by 31 March 2020 which places a considerable strain on the Council's balance sheet. There is a clear national intention that the schools budget is ringfenced and the Council has therefore not 'topped up' the DSG from general fund resources. However, in order to be able to demonstrate financial sustainability the Council has to continue to make contributions to reserves

from the general fund to mitigate the growing DSG deficit on its balance sheet. The Council has been lobbying Government to provide clarity over the treatment of this deficit and seek a long term sustainable solution to funding this service.

10. Elsewhere within the Council, consistent with the national picture, there has continued to be a high level of demand for Adult Social Care. Work to manage this demand has reaped benefits - however there still remains increasing demand within this area which is reflected in the budget and MTFS. The high levels of demand in Children's Services has continued to be a significant issue centred on children leaving care and Unaccompanied Asylum Seeking Children (UASC) and again this is reflected in the budget and MTFS.
11. The 2020/21 settlement is the first Local Government Financial settlement since the end of the four year settlement period from 2016-17 to 2019-20 and on this occasion gives a settlement for one year only. The provisional settlement showed a continuation of the funding provided in the previous 4 year settlement, along with additional funding to partly meet the significant funding pressures in both Adults and Children's social care.
12. However for Kingston as for other local authorities it did not bridge the gap between the available resources and funding needed to meet the increasing demands and costs in local government services. The additional amount received was £2.030m in additional revenue grant which has primarily been used to provide growth for services to Children and Adults.
13. The settlement also confirmed that the Council Tax referendum threshold is set at 4%, comprising the 2% social care precept and a 2% general increase.
14. Taking all these risks and pressures into account, the Council needs to make savings of approximately £7.185m next year.
15. The context of local government finance in future years has a significant level of uncertainty with the likely impact of comprehensive spending review, the introduction of fair funding and the review of the business rates in 2021/22. This provides a challenging financial environment for the Medium Financial Strategy.

## Corporate Plan

16. All the proposals in the budget result from the work the Strategic Leadership Team and senior managers have been doing over many months as part of the budget setting process. The proposals have been developed in collaboration with Portfolio Holders and reflect the administration's political priorities and support the Corporate Plan.

## **A well maintained borough with a sustainable approach to growth and development which benefits our communities**

17. The Budget proposes revenue growth and investment of £1.512m to support this outcome which includes investment in planning and waste and recycling. There is continued capital investment to bring forward the regeneration of Cambridge Road Estate in Norbiton, to deliver much needed additional Council homes, as well as market sales homes, improved open spaces, and community facilities. There is also further capital investment in our green spaces through the continuation of the community park programme and investment in electric vehicle lamp column charging points.

## **A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy**

18. The budget proposes revenue investment of £0.133m into the Kingston together fund, community engagement, bereavement services and highways network management.
19. The Council continues to support a vibrant community and voluntary sector recognising the significant contribution it makes to Kingston communities. There is investment proposed in the budget to launch the Kingston Together voluntary sector commissioning fund.
20. The first successful citizens assembly was held during 2019/20 on the topic of climate change. Investment is being made to increase capacity to deliver greater levels of community engagement going forward.

## **Healthy, independent and resilient residents with effective support to those who need it most**

21. The greatest level of revenue growth of £3.820m is to support the most vulnerable in our communities and to meet the significant demand within children and adult social care services. This includes utilising adult social care Council Tax precept that central government introduced as a means to fund additional pressures within adult social care services. There is investment to champion independence; focus on strength and resilience; and support people of all ages to live healthy, independent lives. The budget seeks to ensure support and resources are targeted at the most vulnerable or where the outcomes will have the greatest impact of improving the lives of those who need it the most.
22. In addition, through capital investment and innovative partnerships, the Council is delivering the infrastructure that is needed for the future, including new school places and a new dementia care home.

## **A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston's residents and businesses**

23. The budget and MTFs support the continued transformation of the Council ensuring it is delivering value for money and effective outcomes by smarter commissioning, digital transformation, business process re-engineering and reviewing all support services to ensure they are focussed on enabling frontline service delivery for the benefit of residents and businesses.

## **Comments of the Director of Corporate and Commercial (S151 Officer)**

24. The Local Government Act (2003) Section 25 requires the Council's Chief Financial Officer (as defined by section 151 of the Local Government Act 1972) to report on the 'robustness' of the financial estimates which are used in calculating the Council Tax for 2020/21. The Council is required to have regard to the S151 Officer's comments when making the final decision on its budget and Council Tax for the year.
25. The purpose of the S151 Officer's comments is to give assurance that risk is appropriately managed and that there is a legitimate expectation that likely eventualities are provided for within the budget – essentially that the financial plan is sound. They are not intended to give a guarantee that the budget is sufficient to cover all possible scenarios, nor that income and expenditure will occur exactly as budgeted.
26. Section 25 of the Act also requires the Council, in setting its budget, to maintain 'adequate level of controlled reserves'. The S151 Officer is required to provide appropriate advice to the Council on the adequacy of its reserves, both those which are earmarked for specific purposes and for the General Fund balance. To inform this judgement, the S151 Officer has carried out a financial risk analysis of the Council's proposed budget which is detailed in Annex 1.
27. In assessing the level of risk, all elements of the budget have been considered, including external economic factors, the impact of demand led growth and delivery of savings, any uncertainty over the level of funding available and the risk posed from the possibility that some savings proposals may not proceed as a result of consultation. This shows that £1.045m of the total £7.185m of savings proposals in 2020/21 are still subject to consultation and would need to be substituted with funding from reserves should they not proceed.
28. The most significant risk highlighted in Annex 1 is the risk of further overspends on the high needs block of the dedicated schools grant, causing a further increase in the cumulative deficit. This contributes £6.5m to the overall total level of risk of £14.998m that has been identified should all risks identified, materialise. This compares to a

total level of risk of £13.887m in 2019/20, with the increase largely due to the risk around pay inflation, offset by a lower overall level of savings and a lower value of savings that are subject to consultation. The Council general fund reserve is £19.633m compared to £16.133m in 2019/20.

29. The level of scrutiny and challenge exercised by Officers and Portfolio Holders through the budget setting process and the effectiveness of the budgetary control framework enabling successful resolution of in year financial issues enable the S151 Officer to offer assurance on the robustness of estimates in accordance with Section 25 of the Local Government Act 2003. Any amendments to the proposals included within this report may require a further assurance assessment to be given before a decision on those amendments is made.
30. The analysis of potential scenarios shows that for 2020/21 the Council continues to face a significant and material level of budget risk. The significant savings that have been made in response to resource reductions and increasing cost pressures have contributed to an increased inherent level of financial risk.
31. The ongoing pressure in relation to the High Needs Block of the Dedicated Schools Grant budget is considered as part of the schools budget papers in Annex 14. However, the deficit on this reserve does impact on the Council's overall financial position and the need to make a planned contribution to the general fund balance to bolster the Council's balance sheet position overall.
32. Based on the inclusion of growth and contributions to reserves within the budget, the flexible use of the Strategic Investment Reserve and leadership and organisational experience demonstrated in previous years in containing significant budget pressures, managing significant budget reductions and delivering transformational change, the General Fund balance is considered to be sufficient. The S151 Officer therefore advises that the level of reserves is adequate in line with Section 25 of the 2003 Act. Any amendments to the budget proposals which reduce the contribution to reserves or the overall level of reserves available would cause this advice to change.

## Medium Term Financial Strategy

33. The MTFS sets out projections for costs of service delivery and the resources available to fund those services over the four year period to 2023/24.
34. The table below sets out a summary of the MTFS over the four year period.

<b>Medium Term Financial Strategy</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
<b>Expenditure:</b>				
<b>Base Budget</b>	<b>136,308</b>	<b>140,421</b>	<b>144,385</b>	<b>151,279</b>
Adjustments to Base Budget	446	(165)	(93)	0
Inflation	2,984	3,672	3,799	3,892
Growth	6,598	4,339	4,510	4,330
Contributions to reserves	1,270	0	0	0
Savings	(7,185)	(3,882)	(1,322)	571
<b>Gross Budget requirement</b>	<b>140,421</b>	<b>144,385</b>	<b>151,279</b>	<b>160,072</b>
<b>Resources:</b>				
Parking and Traffic Reserves	(7,807)	(7,807)	(7,807)	(7,807)
Specific Grants	(7,198)	(1,413)	(1,341)	(819)
Sub-total	(15,005)	(9,220)	(9,148)	(8,626)
<b>Financing Resources for tax setting purposes</b>				
Business Rates	(23,860)	(23,845)	(24,322)	(24,808)
Council Tax	(103,001)	(104,031)	(105,072)	(106,122)
Collection Fund (Surplus)/Deficit	1,445	0	0	0
Sub-total	(125,416)	(127,876)	(129,394)	(130,930)
<b>Total Resources</b>	<b>(140,421)</b>	<b>(137,096)</b>	<b>(138,542)</b>	<b>(139,556)</b>
<b>Annual Increase in Budget Gap</b>	<b>0</b>	<b>7,289</b>	<b>5,448</b>	<b>7,779</b>
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>7,289</b>	<b>12,737</b>	<b>20,516</b>

35. A reconciliation from the 2019/20 budget to the proposed 2020/21 budget is shown in Annex 2. The base budget has changed since the budget was published last year as savings relating to income in the enforcement accounts have been moved into the resources section; increasing both the gross budget and gross resources by £1.808m.
36. In the current context of Local Government funding, the analysis of resources and expenditure reveals a gap in the future between funding available and likely cost. In financial terms, this gap needs to be closed by budget reductions and/or increases in resources through local taxation.
37. Whilst no decisions on Council Tax increases in future years have been taken, the maximum that could be raised by increasing Council Tax to the current maximum permissible amount is shown in the table below. The table also shows the impact, if the annual contribution to reserves budgets being made for 2020/21 were removed. This would not be prudent given the wider financial context, but it shows an additional option to reduce the value of savings required. The table therefore shows the minimum amount that will need to be identified in savings from the future budget proposals.

	2021/22	2022/23	2023/24
	£000s	£000s	£000s
<b>Outstanding Estimated Budget Gap (Maximum Savings Required)</b>	<b>7,289</b>	<b>5,448</b>	<b>7,779</b>
Maximum contribution from General Increase	(2,070)	(2,133)	(2,197)
Removal of Additional Contributions to Reserves	(4,770)	0	0
<b>Minimum Additional Savings Required</b>	<b>449</b>	<b>3,315</b>	<b>5,582</b>

## Consultation and Engagement

38. Throughout the Autumn we have been engaging with residents using a budget simulator tool to enable people to better understand the challenges we have in setting a balanced budget. During that period we had conversations with around 45 people on the budget and there were more than 249 views of the simulator online.
39. We also set out draft headline proposals on the areas that were being considered for investment and for savings along with indicative values for each directorate. This call for views closed on 16 January.
40. A multi-channel communications approach was taken to promote the consultation including JCDecaux billboards, a press release, resident and community newsletters, social media (twitter, facebook, instagram, next door, linkedin), posters in libraries, leisure centres and community notice boards and via distribution lists, through schools, strategic partners and community groups, councillors and council officers. Library staff were available to help residents to logon to computers in the libraries to access information online and complete the survey if they wish or obtain an alternative format. The contact centre number was also provided as a point of access for help and requests for a paper version of the survey or other formats.
41. During the consultation period, there were 619 visits to the consultation home page, 237 downloads of the proposals document, 142 visits to the consultation survey and 28 full surveys completed. 79.4% of feedback came from people who live in Kingston, 14.7% from people who work in Kingston, 2.9% from people who own a business in Kingston and 2.9% from 'none of the above, but regularly visit Kingston'
42. The consultation asked for comments rather than quantitative information. The main themes coming out of the comments were:
- In the general comments, a few people commented that they would like more detail and, specifically, how the proposed capital investment will be broken down.
  - Some do acknowledge the lack of government support as a factor in having to make tough budget choices.

- Respondents were split on whether the council should be making savings from adults and community housing or should be increasing or maintaining our spending in this area.
- Comments were broadly supportive of more spending on services provided through the Communities directorate, though with some differing views - specific points mentioned included improving roads or, making savings by not giving support to events within the borough. This also included suggestions around maintaining shop fronts, more spending on green spaces, a couple of comments questioned the plans on how commitments will be honoured with less budget.
- Largely in support of maintaining funding for Children's services.

43. Some of the proposals within this paper will be subject to formal consultation processes. Where a consultation process has already been identified as being required this is noted against the proposal. The inclusion of these items within the proposed budget is subject to the necessary consultation. If consultation results in revisions or cancellation of the proposed actions, then alternative arrangements will be made in year to deliver reductions in spend. If that cannot be achieved then the Council will need to draw on reserves to cover any shortfall in expenditure. The adequacy of reserves and associated risk is covered elsewhere in this report. Where formal consultation is not required the council will involve users and ensure they have opportunities to have their say in shaping service delivery by following the principles of our community engagement framework.

## Resources

44. This section of the report explains the resources the Council has available to fund its expenditure, how they are generated and any restrictions on their use. It also outlines the expected level of resources over the medium term.

45. A summary of resources is shown in the table below.

<b>Resources Analysis</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
Business Rates	23,860	23,845	24,322	24,808
Council Tax	103,001	104,031	105,072	106,122
Collection Fund Surplus (Council Tax)	157	0	0	0
Collection Fund Surplus (Business Rates)	(1,602)	0	0	0
<b>Total Local Taxation</b>	<b>125,416</b>	<b>127,876</b>	<b>129,394</b>	<b>130,930</b>
<b>Specific Grants</b>	<b>7,198</b>	<b>1,413</b>	<b>1,341</b>	<b>819</b>
<b>Use of Statutory Parking &amp; Traffic Reserves</b>	<b>7,807</b>	<b>7,807</b>	<b>7,807</b>	<b>7,807</b>
<b>Grand Total</b>	<b>140,421</b>	<b>137,096</b>	<b>138,542</b>	<b>139,556</b>

## Business Rates

46. Business Rates is a tax on business premises. Business rates are set nationally, but collected locally. The Council therefore cannot directly influence the level of income generated through this source. It is however a very important source of income for the Council.
47. The system of distribution of business rates has changed over recent years moving from a model of redistribution by central government to one of local retention of at least a share of the amounts collected. There has been a long standing ambition of the Government to move to a higher percentage of locally retained rates with attempts to move to 100% retention prior to the 2017 general election and more recently consultation on a move to 75% retention, which was delayed when the full spending review was pushed back to 2020. At the time of writing there has been no further specific information from the Government elected in December 2019 as to future intentions of reform in this area.
48. In 2019/20, the Council participated in the London Business Rates Pool Pilot. This pilot arrangement enabled 75% of business rates growth generated in the capital to be retained by London Boroughs (48%) and the GLA (27%). For 2020/21, no further pilot arrangements have been offered by the Government. The London Councils' Leaders Committee has signalled its intention to continue to pool business rates across the capital, outside of the pilot arrangement and this has been reflected in the provisional local government finance settlement.
49. The proposed pooling arrangement will require each Borough to agree to enter into a memorandum of understanding regarding how the pool will operate. Without pilot status, the shares of business rates retained under the pooling arrangement will revert to 30% for Boroughs and 37% for the GLA, with the remaining 33% being retained by central government. Under these arrangements the levy on growth will be reinstated as the removal of this was part of the pilot arrangements only. The financial benefits are therefore substantially less than under the pilot arrangements of the previous 2 years and arise primarily from pooling the top up and tariffs across the capital to reach an overall lower tariff for the pool as a whole.
50. Under the pooling arrangements, there can be no formal 'no detriment guarantee' which has been another feature of the pilot arrangements. However, modelling undertaken by London Councils demonstrates that the risk of there being insufficient funds within the pool to ensure each authority is at least as well off as it had been outside the pool is low. It is estimated that a fall in business rate of 4.4% across the pool as a whole or around £90million in one tariff authority would have to occur for this to be the case. This is set against average real terms growth in business rates across London as a whole of over 2% per annum since 2013-14.
51. The financial benefits from pooling are proposed to be distributed in a similar manner to the current pilot pool. However as the financial value of pooling is substantially lower, the strategic investment pot will be removed. The GLA has also agreed to

forego its share of the benefits to create a greater incentive for Boroughs to participate. The benefits will therefore be distributed amongst the 33 authorities on the basis of:

- Incentives pot - 18%
- Population - 41%
- Settlement Funding Assessment - 41%

52. The latest modelling from London Councils estimates that the net benefit from pooling business rates in London will be in the region of £25.9m, of which £0.3m would be attributable to Kingston. As these figures remain uncertain and not guaranteed, this benefit has not been built into the budget.

53. The level of business rates income included in the budget reflects the latest forecast the Council's share of the Business Rates income to be collected. This has reduced by £0.299m since the 2019/20 budget was set due to a combination of successful appeals and erosion of the taxbase due to a decline in the retail and commercial markets.

## Council Tax

54. The Council Tax which residents in the Borough pay comprises two elements, one is the tax levied by the Council to fund our services and the other is an amount collected on behalf of the Greater London Authority (GLA) and paid over to them. The final decision on the level of Council Tax levied by Kingston will be taken by Members at the Budget Council meeting on 27 February 2020.

55. The level of income collected through Council Tax is determined by the level of Council Tax charged and the number of properties that Council Tax is chargeable on which is known as the tax base. The tax base is determined by assessing the number of chargeable dwellings in the Borough and their Council Tax band, allowing for discounts or exemptions and estimating the number of new properties that are likely to be added in the Borough during the year. For 2020/21, the taxbase has been set, under delegated powers at 63,853.7 which is an increase of 1.67%. The increase primarily arises from new properties coming into the rating list, along with some changes to the level of discounts and exemptions awarded. For 2021/22 onwards, it is estimated that the tax base will increase from this level by 1% per year, though this will be annually reviewed.

## Kingston Council Tax and Social Care Precept

56. In the 2020/21 Local Government Finance Settlement, the government has allowed a 1.99% annual general increase to Council Tax in 2020/21 without recourse to a referendum, this is less than the 2.99% allowed in 2019/20. It is the increase in the Council's average Band D council tax taking into account those households both inside and outside of the Wimbledon and Putney Common Conservators Levy area which is measured against this threshold. In addition to the general increase, the

social care precept allows the relevant authorities to levy an additional precept to fund adult social care. This can be up to 2% per year in 2020/21.

57. The Kingston element of Council Tax proposed as part of this budget represents a general increase of 1.99% and a further 2% social care precept to fund adult social care services. The formal council tax calculation is set out in Annex 3. The table below provides details of the council tax requirement for 2020/21. The proposed average Band D Council tax for RBK for 2020/21 will be £1,613.08 This is the average Band D bill when taking into account those households both inside and outside of the Wimbledon and Putney Common Conservators (WPCC) Levy area. Exact amounts for properties inside and outside the WPCC area cannot be determined until WPPC issue their final levy but have been estimated for the purposes of this report.

<b>Council Tax Setting Calculations</b>	<b>2020/21 £000s</b>
<b>Gross Budget Requirement</b>	<b>140,421</b>
Less:	
Specific Grants	(7,198)
Use of Parking and Traffic Reserves	(7,807)
<b>Net Budget Requirement</b>	<b>125,416</b>
Less:	
Business Rates	(23,860)
Collection Fund Surplus (Council Tax)	(157)
Collection Fund Deficit (Business Rates)	1,602
<b>Total</b>	<b>(22,415)</b>
<b>Council Tax Requirement</b>	<b>103,001</b>

#### Greater London Authority Council Tax

58. The announcement of the Mayor of London's draft budget proposals was made on 18 December 2019. The consultation budget proposes a Band D Council Tax precept of £326.92 for 2020/21 compared to £320.51 in 2019/20, an increase of 1.99% or £6.41. At the time the draft GLA budget proposals were announced the Home Office settlement for policing including the council tax referendum thresholds for local policing bodies had not been announced. This remains the case at the time of writing this report. The GLA have therefore advised that it is likely the proposed Band D figure will change once that information is available.
59. Confirmation of the GLA's budget and Council Tax will follow the London Assembly meeting on 24 February 2020 and will be reported to Council on 27 February 2020. Full details of the GLA's draft budget can be found on their website at [www.london.gov.uk/budget](http://www.london.gov.uk/budget)

## Total Council Tax

60. The table below shows the total proposed Council Tax, inclusive of the GLA amounts and details amounts for each band. The figures for Wimbledon and Putney Commons Conservators levy are provisional, pending confirmation of the levy from that body and the individual figures in the table may therefore change. Any amendments will be reported to the Finance and Partnerships Committee if available, or Budget Council if received later.

<b>Council Tax Band</b>	<b>Council Tax RBK</b>	<b>Council tax GLA</b>	<b>Council Tax - most areas of the Borough</b>	<b>WPCC area precept</b>	<b>Council Tax - WPCC area</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>A</b>	1,074.89	217.95	1,292.84	19.80	1,312.64
<b>B</b>	1,254.03	254.27	1,508.30	23.11	1,531.41
<b>C</b>	1,433.18	290.60	1,723.78	26.41	1,750.19
<b>D</b>	1,612.33	326.92	1,939.25	29.71	1,968.96
<b>E</b>	1,970.63	399.57	2,370.20	36.31	2,406.51
<b>F</b>	2,328.92	472.22	2,801.14	42.92	2,844.06
<b>G</b>	2,687.22	544.87	3,232.09	49.51	3,281.60
<b>H</b>	3,224.66	653.84	3,878.50	59.42	3,937.92

## Collection Fund

61. The Council maintains a Collection Fund as required in order to account for the difference between the actual amounts of Council Tax and Business Rates collected and the budgeted amounts used in setting the tax for the year.

62. The Council is required to estimate the position relating to Council Tax at the end of the financial year, on the 15 January each year. Any adjustments arising from this are required to be included in the calculation for the following year's Council Tax. Estimates at 15 January 2020 show that there is expected to be a surplus of £0.191m at the end of 2019/20, with Kingston's share being £0.157m.

63. A similar process is undertaken for Business Rates with estimates made in respect of surpluses or deficits expected to arise at 31 March 2020. This is shared between the Council, the GLA and Central Government in proportion to their shares of business rates income. Due to the changing arrangements for business rates retention, this means that the balance brought forward at 31 March 2019 has been apportioned in line with the changing percentages in recent years, the 2019/20 in year amount will be shared 48% RBK, 27% GLA, 25% Central Government. Estimates show that there

will be a deficit of £3.074m with RBK's share being £1.602m to be applied in 2020/21.

64. The overall position on the collection fund depends upon a number of variables. For example, on council tax, if the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise. On business rates, variations can also occur due to assumptions made at a point of time on appeals and fluctuations in business rates income can occur, strongly linked to the performance of the wider economy.

## Grant Funding

65. Kingston Council no longer receives any Revenue Support Grant (RSG). For 2020/21, the Government had originally intended to charge an additional tariff on the Council's business rates income in the form of negative RSG. Fortunately this has been removed through additional one off funding in 2020/21 as was the case in 2019/20, though there is no certainty beyond this year.

66. A small number of specific grants exist and where there are limited technical restrictions on what they are spent on, these are held centrally. A breakdown of these amounts is shown in the following table.

<b>Specific Grants</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
Improved Better Care Fund	1,786	408	408	408
Housing Benefit Admin	363	326	294	264
Council Tax Benefit Admin	147	147	147	147
Social Care Support Grant (Children's & Adults)	3,009	0	0	0
New Homes Bonus	1,893	532	492	0
<b>Total Specific Grants</b>	<b>7,198</b>	<b>1,413</b>	<b>1,341</b>	<b>819</b>

67. The table above demonstrates that the level of specific grants reduces significantly after 2020/21 with the social care grant not being confirmed beyond 2020/21 and the improved better care fund and new homes bonus expected to reduce significantly in 2020/21. Further work is required to estimate the level of Housing Benefit Admin grant in future years as the level of universal credit increases and housing benefit reduces.

## Use of Statutory Parking and Traffic Reserves

68. The on street parking, moving traffic contraventions and bus lane enforcement accounts are ring fenced accounts for the collection of income from these activities and whose income can only be spent on transport related activity. One of the most significant costs funded from this source of income is funding of the freedom pass for

Kingston residents, which combined with the taxi card had a budget for 2019/20 of £5.8m.

69. The level of expenditure on relevant activities included in the budget exceeds the level of income available from the accounts and as such the draw down from the accounts is shown alongside other general resources. The amount to be drawn down is less than that included in the 2019/20 budget, this is due to savings proposals put forward as part of the 2019/20 in relation to on street parking charges which have been reviewed and subsequently reversed. No changes to the level of income being drawn down from the accounts is expected over the four year period though this will be regularly reviewed to ensure the drawdown does exceed the available income.

70. Annex 4 provides a summary of forecast income for these accounts.

## Expenditure

71. This section of the report sets out how the resources outlined above are deployed in order to deliver services and how the demands on the available resources change over time.

72. Inflation, growing demand for services and unavoidable increases in cost place additional pressure on the budget over the medium term and this is mitigated to a degree by budget reductions.

## Adjustments to base budget

73. Adjustments are made to the current year (2019/20) budget in order to arrive at the base position for 2020/21. These are necessary to remove one off items or where the impact of a decision differs between financial years. The main adjustments are outlined below.

<b>Adjustments to Base</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
Removal of unachieved savings	810	0	0	0
Planned changes to previous years savings	353	(250)	0	0
Planned changes to previous years growth	(828)	(111)	(175)	0
Re-alignment of HRA recharges	111	196	82	0
<b>Total</b>	<b>446</b>	<b>(165)</b>	<b>(93)</b>	<b>0</b>

74. Budget monitoring reports to Finance and Partnerships committee through the year have highlighted that there are £1.6m of savings rated as red, which are undeliverable. Where these related to income from enforcement accounts, the planned draw down from those accounts has been reduced from 2020/21 onwards. In the remainder of cases, the savings have been removed from the budget as an adjustment to base.

75. Adjustments are also required where the impact of previous year's savings and growth requirements changes year on year. These tend to be where growth was time limited or where the impact of savings decreases over time.
76. A review of the charges from the general fund to the Housing Revenue Account (HRA) for support services has revealed that some re-alignment is required in order to ensure the charges remain fair and accurate. Base budgets are being adjusted on a phased basis as each service area's charges are reviewed.

## Inflation

77. A key element in the budget preparation process is building in an appropriate allowance for inflation. In line with previous years, the draft budget presented continues to restrict inflationary increases to cost elements where there is an unavoidable contractual commitment only. Where the Consumer Price Index (CPI) is used, the September 2019 indicator (1.7%) has been used.
78. Pay inflation is allowed for, in line with the outcome of the Local Government pay award. For 2020/21 this is estimated to be 2%, although the proposed pay award has not yet been confirmed.
79. The table below shows the inflation allowed for in each category.

<b>Inflation</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
Pay	653	670	683	697
Non-Pay (Contracts & Social Care)	2,415	3,064	3,185	3,267
Concessionary Fares	98	111	119	121
Utilities	11	49	52	52
NNDR (Business Rates)	45	46	46	47
Fees & Charges	(238)	(268)	(286)	(292)
<b>Total</b>	<b>2,984</b>	<b>3,672</b>	<b>3,799</b>	<b>3,892</b>

## Growth

80. Growth is proposed to be added to the existing cost base to assist in delivering the Corporate Plan. The need for individual items of budget growth arise mainly from the need to fund the increasing demand for some of our services due to changes in demographics and client numbers or for unavoidable pressures where current budgets would be insufficient to maintain existing service levels.

<b>Growth by Corporate Plan Theme</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy	133	100	(100)	0
A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston's residents and businesses.	1,133	2,770	3,544	4,645
Healthy, independent and resilient residents with effective support to those who need it most	3,820	1,304	896	0
A well maintained borough with a sustainable approach to growth and development which benefits our communities	1,512	165	170	(315)
<b>Total</b>	<b>6,598</b>	<b>4,339</b>	<b>4,510</b>	<b>4,330</b>

81. Further details of the growth being applied is shown in Annex 5.

## Contribution to Reserves

82. The budget proposals include establishing a new reserve with a £1.270m per year contribution relating to the costs of supporting children and young people with special educational needs and disabilities. The costs of this falls within the schools budget, funded by the dedicated schools grant (DSG). However, as the DSG account is in deficit it is important to increase reserves elsewhere on the balance sheet in order to be able to demonstrate financial sustainability.

83. A budget of £3.5million per year was established in 2019/20 to contribute to the Council's General Fund Balance and no further changes to this are proposed for 2020/21. The overall current level of reserves remains low for an authority of Kingston's size and in comparison to other London Boroughs. This planned contribution will assist in increasing the reserves available to mitigate against risk.

## Budget Reductions

84. The table below summarises the budget reductions being proposed in this medium term financial strategy against the corporate plan themes. More detail on the individual proposals making up these totals is provided in Annex 6. This includes the indicative impact on staffing resources of 16.5 FTE which will be subject to consultation and will include a mitigation strategy to minimise any compulsory

redundancies including prioritising the deletion vacant posts and those covered by agency and interim staffing.

<b>Savings by Corporate Plan Theme</b>	<b>2020/21 £000s</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>
A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy	195	140	160	25
A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston's residents and businesses.	4,189	1,268	170	140
Healthy, independent and resilient residents with effective support to those who need it most	1,857	907	504	100
A well maintained borough with a sustainable approach to growth and development which benefits our communities	944	1,567	488	(836)
<b>Total</b>	<b>7,185</b>	<b>3,882</b>	<b>1,322</b>	<b>(571)</b>

## Equalities Impact Assessment

85. An initial equality impact assessment has been undertaken regarding the budget reductions that will be enacted in the 2020/21 budget to assist members to fulfil the requirements of the public sector equality duty which is designed to eliminate discrimination, advance equality of opportunity and foster good relations within the protected characteristics. Kingston has had to make savings totalling £7.185m in 2020/21 and this budget has been produced against a backdrop of previous financial reductions from the government.
86. The budget reduction proposals have been assessed carefully to make sure that any changes will have the least possible impact on residents and service users with a commitment to fairness. Any impact on staff will be managed through the change management process supported by staff from Human Resources.
87. The impact of the budget reduction proposals will be monitored to ensure that any potential negative impact is reduced as far as possible. Each service area will undertake further appropriate impact assessments at the implementation stage if there is a likelihood of a negative impact for service users or staff within the equality protected characteristics.
88. The Council aspires to and is confident that the savings proposed will enable it to discharge more than its statutory obligations and continue to meet the requirements of those most in need of its support and help

89. Further details of the Equality Impact Assessment is included in the budget reductions information at Annex 6.

## Summary by Directorate

90. The result of the changes in resources and spending outlined above leads to a net budget requirement for each directorate for 2020/21 as follows.

<b>Directorate</b>	<b>Budget 2020/21 £000s</b>
Adults	53,015
Children's Services	29,870
Corporate & Commercial	51,682
Growth	(5,605)
Communities	10,041
Chief Executives	1,418
<b>Total</b>	<b>140,421</b>

91. A more detailed analysis by service is provided in Annex 7. Annex 8 shows the budget summarised by expenditure type. The budgets published in this annex and summarised in the table above show the best estimate available at the time this agenda is published as to how expenditure will be split across service areas.

## Flexible use of Capital Receipts

92. To support local authorities deliver more efficient and sustainable services, a time limited flexibility is currently available to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform. The Council's refreshed strategy in respect of this is set out in Annex 9.

## Housing Revenue Account Budget

93. The Housing Revenue Account (HRA) is a ring fenced account for all income and expenditure relating to the Council's housing landlord function. Details of the proposed HRA budget and medium term plans are shown in Annex 10. In order to meet statutory deadlines for advising tenants of changes in their rent, decisions on the HRA budget and rent levels will be taken at the Strategic Housing and Planning Committee on 6 February 2020.

## Capital Strategy

94. Annex 11 sets out the Council's Capital Strategy including the recommended detailed capital programme for capital investment in the borough the period 2020/21 to 2023/24 of some £190.4m. This includes expenditure on general fund schemes of £135.7m and expenditure on the Housing Revenue Account (HRA) of £54.7m. The capital strategy is a new requirement under the updated Prudential Code and Treasury Management Code of Practice (both issued in December 2017).
95. The general fund capital programme is being funded by a mixture of capital receipts from the sale of surplus sites, grant funding and prudential borrowing. The HRA programme is being funded by Major Repairs Reserve, GLA grant, share of Right to Buy (RTB) Receipts, leaseholder receipts and Borrowing.
96. The programme reflects the Council's priorities and objectives with major investment in housing and school places as well as rolling programmes to improve highways, pavements and street lighting. The Council continues to invest in the Hook flood alleviation scheme, parks improvements and structural improvements to the Kingston cemetery chapels. The programme also includes the Council's property investment programme, regeneration project at Cambridge Road, planned works on road maintenance, provision of disabled facilities grants, support for the modernisation of registration and funeral services, investment in IT programmes, works to operational properties, and replacement of sprinkler system at Cattle Market car park.
97. The assumed level of prudential borrowing to finance the general fund capital programme is £93.9m, as detailed in Annex 11. This includes prudential borrowing for invest to save schemes of £76.1m and £17.8m as general support to the programme. Invest to save schemes include investment in the property investment programme whereby the financing costs for borrowing to fund the purchase of commercial properties will be funded through additional rental income and other invest to save schemes through either associated revenue savings or additional service income. Allowance for the financing costs for all borrowing approvals has been made in revenue estimates for 2020/21 to 2023/24.
98. The outline HRA capital programme has been drafted on the basis of the existing Housing Revenue Account 30 year business plan. The expenditure plans for the four years 2020/21 to 2023/24 include a programme of works to council housing stock of £23.6m. In addition it also includes provision for the completion of the affordable homes programme of new build housing of £25.7m. Finally it also assumes the continuation of a programme of property development schemes for social housing of £3.1m eligible to be funded by 1-4-1 net Right to Buy (RTB) receipts through an agreement with the MHCLG and other expenditure of £2.3m.
99. This programme over the 4 years (2020/21 to 2023/24) is financed by HRA borrowing of £14.5m, right to buy receipts of £3.1m, Major Repairs Reserve funding of £21.2m,

Leaseholders Contributions £3m, GLA Homes for Londoners Grant £9.5m and allowable debt from RTB receipts of £3.5m.

100. The outline education capital programme is shown within the capital strategy. This includes capital provision for works to maintain school buildings funded by the capital maintenance grant and plans for school expansions. This includes school's expansion works at Burlington Junior School to increase pupil places.

101. The capital programme includes major projects funded from external bodies. The Mini Holland/Go Cycle programme funded by TfL is almost completed; the budget for 2020/21 is £125k.

## Treasury Management

102. The proposed Treasury Management Strategy for 2020/21 is attached at Annex 12. This includes the annual investment strategy for surplus cash and borrowing including a policy statement on the minimum revenue provision required to be set aside to repay debt.

103. Under the prudential code for capital finance, the Council can take a local decision on the level of borrowing that it considers appropriate to support new capital investment. In taking such a decision the Council has to determine that any such borrowing is affordable (by reference to the impact on the revenue budget), prudent and sustainable.

104. In order to support any decision on prudential borrowing, local authorities are required to set a number of prudential indicators before the beginning of the financial year. These range from the setting of local limits on prudential borrowing to those that relate to treasury management activities. Monitoring against the indicators will be undertaken throughout the financial year and mid and end of year reports submitted to the Audit and Governance Committee. The indicators may be revised, following approval by Full Council, at any time during the year.

## Pay Policy

105. The Council is required to set a pay policy for the remuneration of staff. This is included at Annex 13.

## Schools Budget

106. The schools budget papers relating to the education services funded from the dedicated schools grant is set out in Annex 14.

# Annexes

Annex 1 - Budget Risk 2020/21

Annex 2 - Reconciliation of 2019/20 Budget to proposed 2020/21 Budget

Annex 3 - Statutory Council Tax Calculation

Annex 4 - Statutory Parking and Traffic Accounts

Annex 5 - Budget Growth 2020/21 to 2023/24

Annex 6 - Budget Reductions (Savings) 2020/21 to 2023/24

Annex 7 - Summary of budget by Service / Function

Annex 8 - Summary of budget by expenditure type

Annex 9 - Flexible use of capital receipts strategy

Annex 10 - HRA Budget

Annex 11 - Capital Strategy

Annex 12 - Treasury Management

Annex 13 - Pay Policy

Annex 14 - Schools Budget

**Background Papers:** held by Rachel Howard, Acting Assistant Director, Finance

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